GOVERNMENT OF INDIA
CONSUMER AFFAIRS, FOOD AND PUBLIC DISTRIBUTION
LOK SABHA

UNSTARRED QUESTION NO:1203
ANSWERED ON:26.11.2007
RISE IN PRICE OF CONSUMER ITEMS
Bellarmin Shri A.V.;Chaudhary Shri Pankaj;Gangwar Shri Santosh Kumar;Mahto Shri Tek Lal;Malhotra Prof. Vijay Kumar;Rawat Prof. Rasa Singh;Scindia Shri Jyotiraditya Madhavrao;Shivanna Shri M;Singh Shri Prabhunath;Subbarayan Shri K.

Will the Minister of CONSUMER AFFAIRS, FOOD AND PUBLIC DISTRIBUTION be pleased to state:

(a) whether the attention of the Government has been drawn towards the unabated increase in the prices of consumer items during the last six months;

(b) if so, the details thereof;

(c) whether the Government has framed any concrete policy to control the price rise; and

(d) if so, the details thereof?

Answer

THE MINISTER OF STATE IN THE MINISTRY OF AGRICULTURE AND THE MINISTER OF STATE IN THE MINISTRY OF CONSUMER AFFAIRS, FOOD AND PUBLIC DISTRIBUTION(DR. AKHILESH PRASAD SINGH)

(a) & (b): Government is aware of price situation of essential commodities in country. Comparison of retail prices in Delhi as on 20.11.07 and 20.05.07(six month back) is as under:-

Commodity	Retail Prices (20.11.07)	Retail Prices (20.05.07)	Variation(in Rs.)
Rice	16.00	15.00	1.00
Wheat	12.00	12.00	0.00
Atta	13.00	13.00	0.00
Gram	35.00	33.00	2.00
Tur	40.00	38.00	2.00
Sugar	17.00	17.00	0.00
Groundnut Oil	121.00	102.00	19.00
Mustard Oil	64.00	56.00	8.00
Vanaspati	62.00	57.00	5.00
Tea(Loose)	108.00	105.50	2.50
Milk@	20.00	18.00	2.00
Potato	11.00	9.00	2.00
Onion	14.00	10.00	4.00
Salt(Pack)	10.00	8.00	2.00

(c)&(d) : Government is aware of the increase in prices of essential commodities such as wheat, pulses & edible oil and has responded by taking a series of measures such as augmenting domestic supplies of wheat and pulses through imports at reduced rates of duty, ban on exports of pulses, wheat and reduction in custom duty of edible oils.
The concrete policy measures taken by the Government are given below:

(i) To augment availability of wheat during the current year STC is in process of importing 13.06 lakh Mts) (+/-5%). So far, about 4.35 lakh tonnes of wheat has arrived in India as on 14.11.2007. The balance quantity of wheat is scheduled to arrive at Indian ports from November to December 2007. Period of validity of import of wheat at zero duty was extended from 31.12.06 to 28.2.2007 and further to 31.12.07.

(ii) Export of wheat has been banned w.e.f. 09.02.2007. The ban will remain in force up to 31.12.2007.

(iii) In order to maximize procurement of wheat and paddy, the Government has been announcing bonuses in the last 5 years. The Government has on 9.10.2007 made a decision to fix the MSP of wheat for Crop Year 2007-08 (to be marketed in RMS 2008-09) at Rs. 1000 per quintal. It also approved an incentive bonus of Rs. 100 per quintal during the Kharif Marketing Season 2007-08 for rice. Similarly, the export of non-basmati rice below Minimum Export Price of $425 per MT has been banned by the Government on 25.10.07.

(iv) Government has taken steps to insulate the poor section of society from price rise by distribution of these commodities through PDS. The increasing trend of offtake of foodgrains year after year shows the improvement in the performance of Public Distribution System in the country.

(Lakh tonnes)

Offtake of foodgrains				
Years 2003-04	2004-05	2005-06	2006-07	2007-08 (upto August,07)
239.31	293.55	311.05	313.70	138.02

(v) Government has protected vulnerable sections of society through Targeted Public Distribution System (TPDS) and Antodaya Anna Yojna (AAY). The strengthening of the TPDS to improve its efficiency, accountability and effectiveness is an ongoing process. The Targeted Public Distribution System is operated under the joint responsibility of the Central and the State Governments wherein the Central Government is responsible for procurement of foodgrains, storage and their transportation upto principal distribution centres of FCI. And the state Governments are responsible for identification of beneficiaries, issue them ration cards and distribute foodgrains through a vast network of 4.91 lakh Fair Price Shops scattered all over the country.

(vi) Under the TPDS, wheat, rice, sugar and kerosene oils are allocated to State Governments for distribution through the Fair Price Shops. The offtake of wheat and rice under Targeted Public Distribution System (TPDS) and other welfare schemes (OWS) has, however, been going up as shown in table.

(in lakh tonnes)

Financial	TPDS		OWS	
Year	Wheat	Rice	Wheat	Rice
2002-03	97.77	105.64	10.67	17.12
2003-04	108.09	133.85	53.39	82.24
2004-05	130.31	166.21	41.24	64.85
2005-06	121.91	191.96	39.30	58.66
2006-07	103.90	212.49	12.69	38.01

(vii) The Central Issue Price for rice and wheat for different categories is given in table below. The Central Issue Price has not been revised since 1.7.2002.

(Rs. Per quintal)

	APL	BPL	AAY
Rice	830 'A' Grade & 795 (Common)	565	300
Wheat	610	415	200

(viii) Customs duty on import of pulses was reduced to zero on June 8, 2006 and the period of validity of import of pulses at zero duty has been extended from 31.3.07 to 1.8.2007 and further to 31.3.09.

(ix) A ban was imposed on export of pulses with effect from June 22, 2006 (except export of kabuli chana w.e.f. 7.3.07). The period of validity of prohibition on exports of pulses which was initially upto 31.3.07 was further extended upto 31.3.2008, vide DGFT Notification dated 9.3.2007.

(x) As per initiative of Government the State agencies (NAFED, PEC Ltd, MMTC and STC) would target to import 1.5 Million Metric Tonnes (MMT) of imports of pulses. Out of the total contracts of 12.23 lakh tonnes made by these agencies, 7.21 lakh tonnes have arrived up to 13.11.2007.

(xi) Public Sector Undertakings (PSUs) had been asked to import edible oils and to augment edible oils availability in the domestic market during the current festival season. So far, they have placed orders for import of 43,500 tons of edible oils as on 19.11.2007.

(xii) With effect from 23.7.07, the import duty on sunflower oil, both crude and refined, has been reduced and now stands at 40% and 50% respectively. Prior to 1.3.07 they were 65% and 74% respectively.

(xiii) With effect from 23.7.07, the import duty on palm group of oils has been further reduced by ten percentage points, making the import duty on crude palm oil (CPO) at 45% and that on refined palm oil at 52.5%. The Government has also withdrawn the 4% additional countervailing duty on all edible oils. Prior to 24.1.07 these were 70% and 80% respectively.

(xiv) With effect from 23.07.07, import duty on Soya oils has been reduced from 45% to 40%.

(xv) To dampen the exports, NAFED has continuously monitored prices and has been fixing Minimum Export Prices (MEP) accordingly. To increase the domestic availability of onion, NAFED increased the MEP from USD 250 PMT in March/April 2007 to US$ 495 PMT in October 2007. The export of onion was also put under license through designated canalizing agencies vide Notification No.22 (RE-2007)/2004-2009 dated 4th October 2007. This restriction has now been lifted w.e.f. 16.11.07 having regard to the increased availability of kharif onion.

Furthermore, Government also organized sale of onion through mobile centres operated by Delhi Government, NAFED, Kendriya Bhandar as well as Mother Dairy. These outlets numbering around 375, sold onion at Rs 17-18 per kg when the outside price was Rs 22-24 per kg.

Due to above Government efforts, today (on 21-11-07) the onion prices at Lasalgaon have come down to Rs 775 per quintal from Rs 1851/quintal on 1 October 2007 and in Azadpur Mandi to Rs 760 per quintal from Rs 2035 per quintal. The retail prices of onion at Delhi has now stabilized at Rs. 14 per kg on 20.11.07.

(xvi) Steps were taken by Reserve Bank of India to reduce liquidity in the system by increasing the cash reserve ratio, first to 7% w.e.f 6 August 2007 and then to 7.5% on 30 October 2007. These have mopped up liquidity in the market by more than Rs. 30,000 crores.

(xvii) Forward Markets Commission (FMC) has on 23.01.07, directed the three National Exchanges, namely (a) Multi Commodity Exchange of India Ltd., (b) National Commodity & Derivatives Exchange Ltd., (c) National Multi Commodity Exchange of India Ltd., to delist all contracts of tur and urad and to close out all outstanding positions in all Tur and Urad contracts at the closing price on 23.01.07. FMC has also stated that no further contract shall be launched without its prior approval and permission already granted to launch contracts in Urad and Tur stands withdrawn.

(xviii) FMC has on, 27.2.2007, directed all the three National Exchanges that no new futures contracts in wheat and rice shares be launched. In the letter to the Exchanges, FMC has stated that permission already granted for yet to be launched contracts stands revoked and that in respect of running contracts in these commodities no new position should be allowed to be taken. Only squaring up of positions should be allowed.

(xix) To contain volatility in the futures prices of wheat, sugar, pulses, etc. Forward Markets Commission (FMC) has taken required regulatory measures such as imposition of limits on open position, reduction in limits on daily price fluctuations and imposition of additional/special margins.

(xx) An Expert Committee has been set up under the chairmanship of Shri Abhijit Sen , Member, Planning Commission to study impact, if any, of the trading in forward markets on the prices of the commodities.

(xxi) Keeping in view the prevailing price situation, the Central Government had issued a Central Order dated 29.08.2006 under the Essential Commodities Act, 1955 to enable the State Governments to invoke Stock Limits in respect of wheat and pulses for a period of 6 months. By virtue of this Order, the State Governments /UT Administrations have been empowered to take effective action to bring out the hoarded stock of these items to ensure their availability to the common people at reasonable prices. Government has, on 1.9.2007, extended the validity of the Central Order by another six months.